

CITY OF GARNER

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2020

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CITY OF GARNER

OFFICIALS

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ken Mick	Mayor	Jan 2022
Denny Drabek	Mayor Pro tem	Jan 2022
Marline Lewerke	Council Member	Jan 2020
Lynn Smith	Council Member	Jan 2020
Tim Schmidt	Council Member	Jan 2022
Dave Greiman	Council Member	Nov 2019
Daisy Huffman	City Clerk/Treasurer	Indefinite
Adam Kofoed	City Administrator	Indefinite
Philip Garland	Attorney	Indefinite

(After January 2020)

Ken Mick	Mayor	Jan 2022
Denny Drabek	Mayor Pro tem	Jan 2022
Marline Lewerke	Council Member	Jan 2024
Glen Juhl	Council Member	Jan 2024
Tim Schmidt	Council Member	Jan 2022
Don Bell	Council Member	Jan 2022
Daisy Huffman	City Clerk/Treasurer	Indefinite
Adam Kofoed	City Administrator	Indefinite
Philip Garland	Attorney	Indefinite



Renner & Birchem, PC

Certified Public Accountants

"Where people who care make the difference"

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Garner's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information; the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 11 and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2020 on our consideration of City of Garner's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Garner's internal control over financial reporting and compliance.

December 28, 2020



Renner & Birchem, P.C.
Britt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Garner provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 8.66%, or \$323,901 from fiscal year 2019 to fiscal 2020. Capital grants increased \$454,694.
- Disbursements of the City's governmental activities increased 10.4%, or \$456,869, in fiscal year 2020 from fiscal year 2019. Public safety increased approximately \$35,000 and public works increased \$178,840.
- The City's total cash basis net position decreased 8.9%, or approximately \$553,000 from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities decreased approximately \$495,000 and the cash basis net position of the business type activities decreased approximately \$58,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and other general receipts finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer and storm sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Storm Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$4,884 million to approximately \$4,390 million. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service	\$ 423,613	440,051
Operating grants	449,409	455,104
Capital grants	468,544	13,850
General receipts:		
Property tax	1,520,936	1,504,860
Tax increment financing	372,339	362,867
Local option sales tax	410,061	347,439
Commercial/industrial tax replacement	48,066	47,975
Unrestricted interest on investments	75,475	131,212
Other general receipts	291,831	385,449
Sale of assets	3,160	50,726
Total receipts	4,063,434	3,739,533
Disbursements:		
Public safety	667,874	633,246
Public works	667,577	488,737
Health and social services	6,000	6,000
Culture and recreation	742,322	763,959
Community and economic development	444,826	446,361
General government	263,848	261,743
Debt service	603,445	577,822
Capital projects	1,457,100	1,218,255
Total disbursements	4,852,992	4,396,123
Change in cash basis net position before transfers	(789,558)	(656,590)
Transfers, net	307,138	50,000
Internal loans, net	(12,500)	(12,500)
Change in cash basis net position	(494,920)	(619,090)
Cash basis net position beginning of year	4,884,818	5,503,908
Cash basis net position end of year	\$ 4,389,898	4,884,818

The City's total receipts for governmental activities increased 8.66%, or \$323,901 from the prior year. The total cost of all programs and services increased \$456,869 or 10.39%.

The City experienced no change in its property tax rate for 2020 remaining at a rate of 13.24%. While maintaining a steady levy rate, property tax receipts for the year showed an increase of \$16,076 in fiscal year 2020.

The cost of all governmental activities this year was approximately \$4,853 million compared to approximately \$4,396 million last year. However, as shown in the Statement of Activities and Net Position on page 13, the amount taxpayers ultimately financed for these activities was approximately \$3,511 million because some of the cost was paid by those directly benefited from the programs (approximately \$424,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$918,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$.909 million to approximately \$1.342 million.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 353,014	362,286
Sewer	524,088	525,105
Storm sewer	148,687	148,165
General receipts:		
Unrestricted interest on investments	27,028	34,021
Miscellaneous	1,538	2,602
Total receipts	<u>1,054,355</u>	<u>1,072,179</u>
Disbursements:		
Water	313,628	277,690
Sewer	482,969	508,057
Storm sewer	21,068	33,375
Total disbursements	<u>817,665</u>	<u>819,122</u>
Change in cash basis net position before transfers	236,690	253,057
Transfers, net	(307,138)	(50,000)
Internal loans, net	12,500	12,500
Change in cash basis net position	<u>(57,948)</u>	<u>215,557</u>
Cash basis net position beginning of year	<u>1,306,622</u>	<u>1,091,065</u>
Cash basis net position end of year	<u>\$ 1,248,674</u>	<u>1,306,622</u>

Total business type activities receipts for the fiscal year were approximately \$1,054,400 compared to approximately \$1,072,200 last year. The cash balance decreased approximately \$58,000 from the prior year. Total disbursements for the fiscal year decreased 0.17% to approximately \$817,700.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Garner completed the year, its governmental funds reported a combined fund balance of \$4,389,898, a decrease of \$494,920 from last year's total of \$4,884,818. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$125,423 from the prior year to \$1,679,789 due to transfers received.
- The Special Revenue, Local Option Tax Fund cash balance increased by \$192,989 to \$1,081,708. The accumulation of fund reserves is in anticipation of future project needs.
- The Special Revenue, Road Use Tax Fund cash balance decreased by \$71,437 to \$389,235.
- The Special Revenue, Revolving Loan - Housing Fund cash balance decreased by \$149,280 to \$120,233, primarily due to fund reserves being used for project expenses.
- The Capital Projects Fund cash balance decreased \$609,907 to \$221,291 due to project payments.
- The Debt Service Fund cash balance decreased \$35,186 to \$7,515.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased by \$151,440 to \$278,345 primarily due to transfers out.
- The Enterprise, Sewer Fund cash balance increased by \$11,296 to \$696,364 primarily due to a decrease in disbursements.
- The Enterprise, Storm Sewer Fund cash balance increased by \$82,196 to \$273,965 primarily due to a decrease in disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment resulted in an increase to disbursements in several functions totaling \$138,800.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$5,556,000 in bonds and other long-term debt, compared to \$6,201,000 the previous year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2020	2019
General obligation notes	\$ 4,287,000	4,773,000
Revenue notes	1,269,000	1,428,000
Total	\$ 5,556,000	6,201,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,287,000 is significantly below its constitutional debt limit of \$10.4 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates and fees that will be charged for various City activities. As state and national economic conditions continue to improve, Garner shares in the optimism. With an unemployment rate of 8.0%, well below the national level of 11.2%, the local economy remains steady. City officials continue to be cautious looking to maintain a strong financial position when addressing government spending and yet were able to maintain the same tax rate of 13.24% for the eleventh year in a row.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Adam Kofoed, City Administrator, 135 West 5th Street, Garner, Iowa.

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 667,874		17,066		(650,808)		(650,808)
Public works	667,577	179,414	402,197		(85,966)		(85,966)
Health and social services	6,000				(6,000)		(6,000)
Culture and recreation	742,322	243,899	30,146		(468,277)		(468,277)
Community and economic development	444,826			226,050	(218,776)		(218,776)
General government	263,848	300			(263,548)		(263,548)
Debt service	603,445				(603,445)		(603,445)
Capital projects	1,457,100			242,494	(1,214,606)		(1,214,606)
Total governmental activities	4,852,992	423,613	449,409	468,544	(3,511,426)		(3,511,426)
Business type activities:							
Water	313,628	353,014				39,386	39,386
Sewer	482,969	524,088				41,119	41,119
Storm sewer	21,068	148,687				127,619	127,619
Total business type activities	817,665	1,025,789				208,124	208,124
Total	\$ 5,670,657	1,449,402	449,409	468,544	(3,511,426)	208,124	(3,303,302)
General Receipts:							
Property tax levied for:					\$ 936,611		936,611
General purposes					311,089		311,089
Employee benefits and insurance					273,236		273,236
Debt service					372,339		372,339
Tax increment financing					410,061		410,061
Local option sales tax					48,066		48,066
Commercial/industrial tax replacement					75,475	27,028	102,503
Unrestricted interest on investments					291,831	1,538	293,369
Miscellaneous					3,160		3,160
Sale of assets					307,138	(307,138)	
Transfers, net					(12,500)	12,500	
Internal loans, net					3,016,506	(266,072)	2,750,434
Total general receipts					(494,920)	(57,948)	(552,868)
Change in cash basis net position					4,884,818	1,306,622	6,191,440
Cash basis net position beginning of year					\$ 4,389,898	1,248,674	5,638,572
Cash basis net position end of year							
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 389,235		389,235
Debt service					7,515	189,380	196,895
Other purposes					2,313,359		2,313,359
Unrestricted					1,679,789	1,059,294	2,739,083
Total cash basis net position					\$ 4,389,898	1,248,674	5,638,572

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue				Capital Projects	Debt Service	Nonmajor	Total
	General	Local Option Tax	Revolving Loan-Housing	Road Use Tax				
Receipts:								
Property tax	\$ 936,611					273,236	311,089	1,520,936
Tax increment financing							372,339	372,339
Other city tax	94,947	410,061				4,063	5,164	514,235
Licenses and permits	10,182							10,182
Use of money and property	78,984	19,366	4,851		5,894		24,380	133,475
Intergovernmental	77,358			402,197	242,494	7,890	236,079	966,018
Charges for service	423,613							423,613
Special assessments	34,732							34,732
Miscellaneous	63,789			3,753			17,202	84,744
Total receipts	1,720,216	429,427	4,851	405,950	248,388	285,189	966,253	4,060,274
Disbursements:								
Operating:								
Public safety	537,603						130,271	667,874
Public works	217,296			392,387			57,894	667,577
Health and social services	6,000							6,000
Culture and recreation	684,341						57,981	742,322
Community and economic development	84,111		4,131				356,584	444,826
General government	223,373						40,475	263,848
Debt service						603,445		603,445
Capital projects					1,457,100			1,457,100
Total disbursements	1,752,724		4,131	392,387	1,457,100	603,445	643,205	4,852,992
Excess (deficiency) of receipts over (under) disbursements	(32,508)	429,427	720	13,563	(1,208,712)	(318,256)	323,048	(792,718)
Other financing sources (uses):								
Operating transfers in	234,771				598,805	283,070		1,116,646
Operating transfers out	(80,000)	(246,438)	(150,000)	(100,000)			(233,070)	(809,508)
Internal loan, net		10,000		15,000			(37,500)	(12,500)
Sale of assets	3,160							3,160
Total other financing sources (uses)	157,931	(236,438)	(150,000)	(85,000)	598,805	283,070	(270,570)	297,798
Change in cash balances	125,423	192,989	(149,280)	(71,437)	(609,907)	(35,186)	52,478	(494,920)
Cash balances beginning of year	1,554,366	888,719	269,513	460,672	831,198	42,701	837,649	4,884,818
Cash balances end of year	\$1,679,789	1,081,708	120,233	389,235	221,291	7,515	890,127	4,389,898
Cash Basis Fund Balances								
Restricted for:								
Debt service						7,515		7,515
Streets				389,235				389,235
Other purposes		1,081,708	120,233		221,291		890,127	2,313,359
Unassigned	\$1,679,789							1,679,789
Total cash basis fund balances	\$1,679,789	1,081,708	120,233	389,235	221,291	7,515	890,127	4,389,898

See notes to financial statements.

City of Garner

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
Operating receipts:				
Charges for services	\$ 353,014	524,088	148,687	1,025,789
Total operating receipts	353,014	524,088	148,687	1,025,789
Operating disbursements:				
Business type activities	313,628	277,559	21,068	612,255
Total operating disbursements	313,628	277,559	21,068	612,255
Excess of operating receipts over operating disbursements	39,386	246,529	127,619	413,534
Non-operating receipts (disbursements):				
Interest on investments	8,287	14,242	4,499	27,028
Miscellaneous	600	685	253	1,538
Total non-operating receipts	8,887	14,927	4,752	28,566
Excess of receipts over disbursements	48,273	261,456	132,371	442,100
Other financing sources (uses):				
Debt service repayment		(205,410)		(205,410)
Internal loan, net	7,250	5,250		12,500
Transfers out	(206,963)	(50,000)	(50,175)	(307,138)
Total other financing sources (uses)	(199,713)	(250,160)	(50,175)	(500,048)
Change in cash balances	(151,440)	11,296	82,196	(57,948)
Cash balances beginning of year	429,785	685,068	191,769	1,306,622
Cash balances end of year	\$ 278,345	696,364	273,965	1,248,674
Cash Basis Fund Balances				
Restricted for debt service		189,380		189,380
Unrestricted	\$ 278,345	506,984	273,965	1,059,294
Total cash basis fund balances	\$ 278,345	696,364	273,965	1,248,674

See notes to financial statements.

City of Garner

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Garner is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City of Garner also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Garner has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Landfill of North Iowa Board, Hancock County Emergency Management Commission, E911 Board, Hancock County Assessor's Conference Board, Garner Area Community Betterment Association and Hancock County Economic Development Corporation.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

City of Garner

Notes to Financial Statements

June 30, 2020

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has elected to report the Revolving Loan Housing Fund and Road Use Tax Fund as major funds. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Fund is used to account for local option tax receipts and disbursements.

The Revolving Loan-Housing Fund is used to account for development activities for housing projects.

The Road Use Tax Fund is used to account for the road use tax allocations from the State of Iowa to be used for road construction and maintenance.

City of Garner

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The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt. The City has chosen to report as a major fund.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also elected to report the following discretionary fund as a major fund.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Garner maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

City of Garner

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Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The Henschen Library Trust investments at June 30, 2020 are as follows:

	Carrying Amount	Market Value
Donated stock and stock funds	\$ 161,177	\$ 383,616

The donated stock and stock funds are included in the Trust Fund-Henschen Library Trust. The stock was bequested to the City in 1969 under the stipulation that the income is only to be used for the general purposes of the Garner Public Library for a period of fifty years. Part of the stock originally received was sold on February 22, 1996 and the entire proceeds were reinvested in mutual funds in accordance with the terms of the original bequest. All of the investments are registered in the name of the Garner Public Library. The Public Library Board has control over the funds, First Citizens Trust Company, N.A. is the trustee.

City of Garner
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June 30, 2020

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 4,773,000		486,000	4,287,000	496,000
Governmental activities total	<u>\$ 4,773,000</u>		<u>486,000</u>	<u>4,287,000</u>	<u>496,000</u>
Business type activities:					
Sewer Revenue Notes	\$ 1,428,000		159,000	1,269,000	164,000
Business-type activities total	<u>\$ 1,428,000</u>		<u>159,000</u>	<u>1,269,000</u>	<u>164,000</u>

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Library Issued August 18, 2016			Recreation Center, Series 2016 Issued March 1, 2016					
	Interest			Interest					
	Rates	Principal	Interest	Rates	Principal	Interest			
2021	0.00%	\$36,000		2.00%	\$235,000	12,300			
2022	0.00	36,000		2.00	240,000	7,600			
2023	0.00	36,000		2.00	140,000	2,800			
2024	0.00	36,000							
2025	0.00	36,000							
2026-2030	0.00	72,000							
2031-2034	0.00								
Total		<u>\$252,000</u>			<u>\$615,000</u>	<u>22,700</u>			

Year Ending June 30,	Aquatic Center, Series 2012 Issued April 10, 2012			Storm Sewer Improvements Issued February 27, 2018			Total		
	Interest			Interest					
	Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	Total
2021	1.70%	\$170,000	11,240	2.10%	\$ 55,000	83,760	496,000	107,300	603,300
2022	1.70	175,000	8,350	3.00	55,000	82,605	506,000	98,555	604,555
2023	2.15	175,000	5,375	3.00	165,000	81,450	516,000	89,625	605,625
2024	2.15	75,000	1,613	3.00	285,000	76,500	396,000	78,113	474,113
2025				3.0	295,000	67,950	331,000	67,950	398,950
2026-2030				3.00	1,615,000	201,150	1,687,000	201,150	1,888,150
2031-2034				3.00	355,000	10,650	355,000	10,650	365,650
Total		<u>\$ 595,000</u>	<u>26,578</u>		<u>\$2,825,000</u>	<u>604,065</u>	<u>4,287,000</u>	<u>653,343</u>	<u>4,940,343</u>

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On August 18, 2016, the City issued \$360,000 of general obligation bonds with an interest rate of 0.00% per annum. The bonds were issued for library improvements. During the year ended June 30, 2020, the City paid \$36,000 of principal on the bonds.

On February 27, 2018, the City issued \$2,880,000 of general obligation bonds with interest rates ranging from 2.10% to 3.00% per annum. The bonds were issued for storm sewer improvements. During the year ended June 30, 2020, the City paid \$55,000 of principal and \$84,915 of interest on the bonds.

On March 1, 2016, the City issued \$1,490,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for construction of the Veterans Memorial Recreation Center. During the year ended June 30, 2020, the City paid \$225,000 of principal and \$16,800 of interest on the bonds.

On April 10, 2012, the City issued \$1,575,000 of general obligation bonds with interest rates ranging from 0.65% to 2.15% per annum. The bonds were issued for construction of the Aquatic Center. During the year ended June 30, 2020, the City paid \$170,000 in principal and \$14,130 of interest on the bonds.

Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Sewer			Total		
	Issued January 13, 2010					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.75%	\$164,000	22,208	164,000	22,208	186,208
2022	1.75	170,000	19,337	170,000	19,337	189,337
2023	1.75	175,000	16,363	175,000	16,363	191,363
2024	1.75	181,000	13,300	181,000	13,300	194,300
2025	1.75	187,000	10,133	187,000	10,133	197,133
2026-2030	1.75	392,000	10,342	392,000	10,342	402,342
		<u>\$1,269,000</u>	<u>91,683</u>	<u>1,269,000</u>	<u>91,683</u>	<u>1,360,683</u>

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$2,935,000 of sewer revenue notes. Proceeds from the notes provided financing for the construction of the wastewater treatment plant and sewer trunkline. The notes are payable solely from sewer customer net receipts and are payable through 2027. Total principal and interest remaining to be paid on the notes is \$1,360,683. For the current year, principal and interest paid and total customer receipts were \$201,840 and \$524,088, respectively.

City of Garner

Notes to Financial Statements

June 30, 2020

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus fund within the Enterprise Funds. All money credited to the surplus fund shall be transferred and credited to the sinking fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the notes.

Internal Loans

An advance of \$6,665 was made from the Housing Revolving Loan Fund to the Kadrlik Touchstone-TIF Fund in order to pay the initial costs for a feasibility study regarding a potential new motel. This advance shall be treated as a loan (the "Loan") to the Kadrlik Touchstone-TIF Fund and shall be repaid to the Housing Revolving Loan Fund.

Advances of \$88,627 were made from the Road Use Tax Fund and \$59,085 from the Local Option Fund to the Touchstone – TIF Fund in order to pay for infrastructure. These advances, totaling \$147,712, shall be treated as a loan (the "Loan") to the Touchstone TIF Fund and shall be repaid to the Road Use Tax Fund and the Local Option Fund.

Advances of \$29,000 from the Water Fund and \$21,000 from the Sewer Fund were made to the Kadrlik Touchstone – TIF Fund in order to pay for the costs of the Highway 18 West – water and sewer infrastructure improvements. These advances, totaling \$50,000, shall be treated as a loan (the "Loan") to the Kadrlik Touchstone – TIF Fund and shall be repaid to the Water Fund and the Sewer Fund.

Advance of \$12,590 was made from the Revolving Loan – Industry Fund to the Kadrlik Touchstone – TIF Fund to maintain 1/3 ownership of Touchstone Energy land. This advance shall be treated as a loan (the "Loan") to the Kadrlik Touchstone – TIF Fund and shall be repaid to the Revolving Loan – Industry Fund. The balance was paid off as of June 30, 2020.

Advances of \$100,000 from the Road Use Tax Fund and \$50,000 from the Water Fund and \$50,000 from the Sewer Fund were made to the Kadrlik Touchstone-TIF Fund in order to pay the costs of the Hejlik III project. These advances, totaling \$200,000, shall be treated as a loan (the "Loan") to the Kadrlik Touchstone-TIF Fund and shall be repaid to the Road Use Tax Fund, Water Fund and the Sewer Fund.

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Notes to Financial Statements

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Payments on the loans are subject to annual appropriation by the City Council and to the Council's determination that there are incremental tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund.

Once appropriated, payments shall be made on the Loan on June 1 of each year to the extent there are incremental tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund. The right is hereby reserved to issue additional obligations, or to enter into additional loans, payable from the Tax Increment Fund, which may either rank on parity with the loan or may have a priority over the loan with respect to the revenues in the Tax Increment Fund. The internal loans principal balance outstanding at June 30, 2020 is \$332,343.

(4) Pension Plans

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

City of Garner

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If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$91,378.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City liability for its proportionate share of the collective net pension liability totaled \$460,482. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0079522%, which was an increase of 0.000045% from its proportion measured as of June 30, 2018.

City of Garner

Notes to Financial Statements

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For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$123,356, \$110,219 and \$138,025 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

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Notes to Financial Statements

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Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$1,019,059	460,482	(7,796)

IPERS Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$148,715 and plan members eligible for benefits contributed \$26,741 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by City of Garner and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	14
Total	<u>14</u>

City of Garner
Notes to Financial Statements

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(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2020</u>
Vacation	\$ 46,312
Comp	<u>10,471</u>
	<u>\$ 56,783</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option	\$ <u>234,771</u>
Capital Projects	General	80,000
	Local Option	11,667
	Road Use	100,000
	Rev Loan-Housing	150,000
	Water	206,963
	Sewer	50,000
	Storm Sewer	<u>175</u>
		<u>598,805</u>
Debt Service	Special Revenue: Tax Increment	233,070
	Storm Sewer	<u>50,000</u>
		<u>283,070</u>
Total		<u>\$1,116,646</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Garner

Notes to Financial Statements

June 30, 2020

(8) Related Party Transactions

The City had business transactions between the City and City officials, during the year ended June 30, 2020, totaling \$1,534.

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on the cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Garner's annual contributions to the Pool for the year ended June 30, 2020 were \$79,165.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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June 30, 2020

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City of Garner also carries commercial insurance purchased from other insurers for surety bond coverage. The City assumes liability for any deductibles and claims in excess of coverage limitations.

(10) Deferred Compensation Agreements

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements. The City does not make any contributions under the agreement.

(11) Commitments and Contingencies

The City has entered into construction contracts as follows: The Allen Ave Drainage project totaling \$675,207, with the \$221,791 balance remaining on the contract at June 30, 2020 to be paid as work on the project progresses. The Hejlik III project totaling \$811,457, with \$316,243 remaining on the contract at June 30, 2020, to be paid as work on the project progresses.

(12) Prairie Energy Development, LC

The City is a one third partner in Prairie Energy Development, LC. The partnership owns Touchstone Energy Industrial Park land to be used for economic development.

City of Garner

Notes to Financial Statements

June 30, 2020

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$45,384 of property tax under the urban renewal and economic development projects.

(14) Subsequent Events

In July 2020, the City issued \$300,000 of general obligation notes with Reliance State Bank.

OTHER INFORMATION

City of Garner

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,520,936			1,520,936	1,539,823	1,539,823	(18,887)
Tax increment financing	372,339			372,339	356,700	356,700	15,639
Other city tax	514,235			514,235	402,718	402,718	111,517
Licenses and permits	10,182			10,182	7,920	7,920	2,262
Use of money and property	133,475	27,028	14,247	146,256	124,760	124,760	21,496
Intergovernmental	966,018			966,018	721,275	725,275	240,743
Charges for services	423,613	1,025,789		1,449,402	1,508,080	1,508,080	(58,678)
Special assessments	34,732			34,732	14,125	14,125	20,607
Miscellaneous	84,744	1,538		86,282	1,774,540	1,783,540	(1,697,258)
Total receipts	4,060,274	1,054,355	14,247	5,100,382	6,449,941	6,462,941	(1,362,559)
Disbursements:							
Public safety	667,874			667,874	724,110	730,110	62,236
Public works	667,577			667,577	652,890	682,190	14,613
Health and social services	6,000			6,000	6,150	6,150	150
Culture and recreation	742,322		7,193	735,129	690,685	756,185	21,056
Community and economic development	444,826			444,826	673,560	706,560	261,734
General government	263,848			263,848	276,760	281,760	17,912
Debt service	603,445			603,445	603,450	603,450	5
Capital projects	1,457,100			1,457,100	2,769,300	2,769,300	1,312,200
Business type activities		817,665		817,665	891,390	891,390	73,725
Total disbursements	4,852,992	817,665	7,193	5,663,464	7,288,295	7,427,095	1,763,631
Excess (deficiency) of receipts over (under) disbursements	(792,718)	236,690	7,054	(563,082)	(838,354)	(964,154)	401,072
Other financing sources, net	297,798	(294,638)		3,160	12,500	12,500	(9,340)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(494,920)	(57,948)	7,054	(559,922)	(825,854)	(951,654)	391,732
Balances beginning of year	4,884,818	1,306,622	154,123	6,037,317	4,424,605	4,424,605	1,612,712
Cash balances end of year	\$ 4,389,898	1,248,674	161,177	5,477,395	3,598,751	3,472,951	2,004,444

See accompanying independent auditor's report.

City of Garner

Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$138,800. The budget amendment is reflected in the final budgeted amounts.

City of Garner
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0079522%	0.0079070%	0.0078831%	0.0080581%	0.0072189%	0.0068006%
City's proportionate share of the net pension liability	\$ 460,482	500,376	525,116	507,119	356,647	269,704
City's covered payroll	\$ 935,193	870,068	851,217	830,370	803,428	796,159
City's proportionate share of the net pension liability as a percentage of its covered payroll	49.24%	57.5%	61.7%	61.07%	44.39%	33.88%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Garner
Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last 10 Years

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 91,378	90,572	80,240	78,551	76,617	74,926	74,126	72,069	68,104	60,741
Contributions in relation to the statutorily required contribution	(91,378)	(90,572)	(80,240)	(78,551)	(76,617)	(74,926)	(74,126)	(72,069)	(68,104)	(60,741)
Contribution deficiency (excess)	\$									
City's covered payroll	\$952,166	935,193	870,068	851,217	830,370	803,428	796,159	785,030	783,249	765,661
Contributions as a percentage of covered payroll	9.60%	9.68%	9.22%	9.23%	9.23%	9.33%	9.31%	9.18%	8.70%	7.93%

See accompanying independent auditor's report.

City of Garner

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

SUPPLEMENTARY INFORMATION

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					Permanent	Total
	Employee Benefits	Industrial Revolving Loan	Retail Revolving Loan	CDBG Housing Rehab	Urban Renewal Tax Increment	Henschen Library Trust	
Receipts:							
Property tax	\$311,089						311,089
Tax increment financing					372,339		372,339
Other city tax	5,164						5,164
Use of money and property	4,887	4,403	843			14,247	24,380
Intergovernmental	10,029			226,050			236,079
Miscellaneous	24	16,126	1,052				17,202
Total receipts	331,193	20,529	1,895	226,050	372,339	14,247	966,253
Disbursements:							
Operating:							
Public safety	130,271						130,271
Public works	57,894						57,894
Culture and recreation	50,788					7,193	57,981
Community and economic development			3,025	226,050	127,509		356,584
General government	40,475						40,475
Total disbursements	279,428		3,025	226,050	127,509	7,193	643,205
Excess (deficiency) of receipts over (under) disbursements	51,765	20,529	(1,130)		244,830	7,054	323,048
Other financing sources (uses):							
Operating transfers out					(233,070)		(233,070)
Internal loans, net		12,590			(50,090)		(37,500)
Total other financing sources (uses):		12,590			(283,160)		(270,570)
Change in cash balances	51,765	33,119	(1,130)		(38,330)	7,054	52,478
Cash balances beginning of year	290,188	235,169	46,132		112,037	154,123	837,649
Cash balances end of year	\$341,953	268,288	45,002		73,707	161,177	890,127
Cash Basis Fund Balances							
Restricted for other purposes	\$341,953	268,288	45,002		73,707	161,177	890,127
Total cash basis fund balances	\$341,953	268,288	45,002		73,707	161,177	890,127

See accompanying independent auditor's report.

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Capital Projects Funds

As of and for the year ended June 30, 2020

	Hejlik 111	Hwy 18 Trail	Allen Ave Drainage	Cottonwood Storm Sewer	Pool Shelter House	Division St Water Main	E 2nd Street	Apt HSG Development	Total
Receipts:									
Use of money and property			\$ 5,894						5,894
Grants								242,494	242,494
Total receipts			5,894					242,494	248,388
Disbursements:									
Capital projects	\$ 556,033	4,775	468,987	12,000	8,781	156,963	6,892	242,669	1,457,100
Total disbursements	556,033	4,775	468,987	12,000	8,781	156,963	6,892	242,669	1,457,100
Excess (deficiency) of receipts over (under) disbursements	(556,033)	(4,775)	(463,093)	(12,000)	(8,781)	(156,963)	(6,892)	(175)	(1,208,712)
Other financing sources (uses):									
Operating transfers in	350,000	4,775			80,000	156,963	6,892	175	598,805
Total other financing sources (uses):	350,000	4,775			80,000	156,963	6,892	175	598,805
Change in cash balances	\$ (206,033)		(463,093)	(12,000)	71,219				(609,907)
Cash balances beginning of year			819,198	12,000					831,198
Cash balances end of year	\$ (206,033)		356,105		71,219				221,291

See accompanying independent auditor's report.

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Library	8-18-16	0.00%	\$ 360,000	288,000		36,000	252,000	
Refunding Bonds, Series 2016A	3-1-16	2.00	1,490,000	840,000		225,000	615,000	16,800
Refunding Bonds, Series 2012	4-10-12	.65-2.15	1,575,000	765,000		170,000	595,000	14,130
Storm Sewer Improvement Bond	2-27-18	2.10-3.00	2,880,000	2,880,000		55,000	2,825,000	84,915
Total				\$ 4,773,000		486,000	4,287,000	115,845
Revenue notes:								
Sewer-WWTP	1-13-10	3.00	2,640,000	1,428,000		159,000	1,269,000	42,840
Total				1,428,000		159,000	1,269,000	42,840
Internal loans:								
Kadrlik/Touchstone-Hotel	6-30-12		6,665	6,665			6,665	
Kadrlik/Touchstone - Rise Project	6-30-17	0.00	147,712	125,678		25,000	100,678	
Kadrlik/Touchstone - PED	11-30-18	0.00	12,590	12,590		12,590		
Kadrlik/Touchstone - Water & Sewer	11-28-17	0.00	50,000	37,500		12,500	25,000	
Kadrlik/Touchstone-Hejlik III	11-26-19	0.00	200,000		200,000		200,000	
Total				182,433	200,000	50,090	332,343	
Total				\$ 6,390,098	200,000	695,090	5,888,343	158,685

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2020

General Obligation Bonds and Notes

Year Ending June 30,	Library		Recreation Center, Series 2016		Aquatic Center, Series 2012		Storm Sewer Improvements		
	Issued August 18, 2016		Issued March 1, 2016		Issued April 10, 2012		Issued February 27, 2018		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2021		\$ 36,000	2.00%	\$ 235,000	1.70%	\$ 170,000	2.10%	\$ 55,000	\$ 496,000
2022		36,000	2.00	240,000	1.70	175,000	3.00	55,000	506,000
2023		36,000	2.00	140,000	2.15	175,000	3.00	165,000	516,000
2024		36,000			2.15	75,000	3.00	285,000	396,000
2025		36,000					3.00	295,000	331,000
2026		36,000					3.00	305,000	341,000
2027		36,000					3.00	315,000	351,000
2028							3.00	325,000	325,000
2029							3.00	330,000	330,000
2030							3.00	340,000	340,000
2031							3.00	355,000	355,000
Total		\$ 252,000		\$ 615,000		\$ 595,000		\$2,825,000	\$ 4,287,000

Year Ending June 30,	Revenue Notes	
	Sewer	
	Issued January 13, 2010	
	Interest Rates	Amount
2021	3.00%	\$ 164,000
2022	3.00	170,000
2023	3.00	175,000
2024	3.00	181,000
2025	3.00	187,000
2026	3.00	193,000
2027	3.00	199,000
Total		<u>\$1,269,000</u>

See accompanying independent auditor's report.

City of Garner

Schedule 5

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 1,520,936	1,504,860	1,368,078	1,283,473	1,289,291	1,253,510	1,243,904	1,219,794	1,180,724	1,130,876
Tax increment financing	372,339	362,867	370,823	413,786	398,079	473,503	522,722	478,891	441,712	454,085
Other city tax	514,235	450,740	368,415	311,735	277,727	353,687	255,833	259,213	247,293	186,772
Licenses and permits	10,182	9,624	8,317	8,341	17,314	39,399	41,267	35,472	37,530	32,973
Use of money and property	133,475	170,656	152,912	101,370	103,071	97,806	94,539	98,317	89,275	90,512
Intergovernmental	966,018	516,929	677,940	733,976	715,327	599,546	360,368	345,759	340,715	552,718
Charges for service	423,613	440,051	459,824	458,944	457,090	446,774	438,042	447,951	455,640	454,899
Special assessments	34,732	23,188	40,615	16,491	27,870	12,872	14,541	17,578	9,989	9,103
Miscellaneous	84,744	209,892	350,534	1,228,815	283,415	396,521	194,817	76,710	78,827	209,632
Total	\$ 4,060,274	3,688,807	3,797,458	4,556,931	3,569,184	3,673,618	3,166,033	2,979,685	2,881,705	3,121,570
Disbursements:										
Operating:										
Public safety	\$ 667,874	633,246	579,206	577,730	552,837	524,267	506,951	551,587	542,016	547,080
Public works	667,577	488,737	555,196	560,447	468,679	640,095	701,043	562,969	567,747	612,293
Health and social services	6,000	6,000	6,000	6,430	5,145	5,145	5,145	5,145	5,145	5,023
Culture and recreation	742,322	763,959	863,961	645,906	663,207	689,519	639,192	623,792	695,629	624,084
Community and economic development	444,826	446,361	341,833	555,697	586,936	711,954	312,459	272,916	145,571	173,249
General government	263,848	261,743	231,647	228,430	220,135	223,090	266,174	196,937	183,424	201,659
Debt service	603,445	577,822	482,022	486,868	1,963,210	476,193	1,989,978	586,092	593,636	750,337
Capital projects	1,457,100	1,218,255	1,454,251	1,800,838	236,993	223,589	313,261	421,776	458,628	3,425,143
Total	\$ 4,852,992	4,396,123	4,514,116	4,862,346	4,697,142	3,493,852	4,734,203	3,221,214	3,191,796	6,338,868

See accompanying independent auditor's report.



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Garner's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Garner's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Garner's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Garner's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Garner's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Garner's Responses to the Findings


City of Garner's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Garner's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Garner during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 28, 2020


Renner & Birchem, P.C.
Britt, Iowa

City of Garner

Schedule of Findings

Year Ended June 30, 2020

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – entering rates into the system, recordkeeping, preparing, and distributing.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should continue to review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and will look at improvements.

Conclusion – Response accepted.

City of Garner
Schedule of Findings
Year Ended June 30, 2020

Part I: Findings Related to the Financial Statements (continued):

Instances of Non-Compliance:

No matters were noted.

City of Garner

Schedule of Findings

Year Ended June 30, 2020

Part II: Other Findings Related to Statutory Reporting:

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.

II-B-20 Questionable Disbursements – Except as noted below, no disbursements were noted that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 or that were not properly documented. The City has established written policies and procedures, including the requirements for proper documentation, as part of their adopted administrative policies.

Sales tax was paid on certain credit card transactions.

Recommendation – The City should not be paying sales tax on any transactions.

Response – The City will request exemption from sales tax on credit card transactions.

Conclusion – Response accepted.

II-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lynn Smith, Council Member		
Owner Smith Hardware	Supplies & repairs	\$ 778
Mark Waddingham, Employee	Saw rent	540
Kevin Petty, Employee Spouse		
Owner, Webwise Solutions	Website hosting	216

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

City of Garner

Schedule of Findings

Year Ended June 30, 2020

Part II: Other Findings Related to Statutory Reporting (continued):

- II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-20 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-20 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-I-20 Revenue Note – The City has complied with the revenue note provisions. Required Sewer Revenue Bond Sinking Fund has been created.
- II-J-20 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before the extended due date and no exceptions were noted.